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Selective Enforcement of Land Regulations: Why Land-use Violations Persist in China?¹

(Accepted at the *China Journal*)

Xin Sun
Department of Political Science
Trinity College Dublin

Abstract:

Despite the government's decades-long enforcement efforts, violations of land laws and regulations remain a serious problem in China. Local governments have often been blamed. This article identifies a previously overlooked reason for large-scale violations by focusing on the enforcement behavior of the central government. It argues that the central government enforces land regulations selectively: the strength of enforcement depends on the violators' political status. Drawing on a case study based on the national policy prohibiting new golf course construction, the article finds that golf course developers connected with high-level political elites are more likely to violate the prohibition and survive the subsequent enforcement actions by the central government. This finding contributes to the literature of regulatory enforcement in authoritarian regimes and has broad implications for reforms in China.

¹ For helpful comments and suggestions, I thank Mayling Birney, Georgia Kernell, Pierre Landry, Tse-Kang Leng, Victor Shih, Andrew Wedeman, two anonymous reviewers, and the editors of the *China Journal*. I also thank the participants at the 2013 annual meeting of the Association for Asian Studies, the 2013 annual meeting of the Midwest Political Science Association, and the 2013 annual meeting of the American Association for Chinese Studies. Financial support for this study was provided by the Equality Development and Globalization Studies (EDGS) program at Northwestern University and the China Times Cultural Foundation. Of course, I am responsible for all errors.

“All golf courses built after 2004 are illegal.”²

——— Gan Zangchun, Vice Supervisor of National Land

“Large firms should stand more rigorous examination, whether they are domestic or foreign and regardless of their ownership... as long as firms violate laws and regulations, they are wrong. Whether the violations are large or small, they must be punished.”³

——— *Renmin Ribao (People's Daily)*

After nearly two decades of rapid urbanization and booming real estate development, illegal land use has become a serious governance problem in China. According to official statistics, tens to hundreds of thousands of hectares of land have been occupied and developed every year in ways that do not conform to national laws and regulations.⁴ The negative consequences of illegal land use are serious: it reduces the quantity and quality of arable land, poses threats to national food security and the environment, and causes massive social unrest. Land disputes are estimated to account for thousands of violent mass protests every year, and have replaced rural taxes and fees to become the single largest source of social instability.⁵ Both scholars and government officials have repeatedly warned that illegal land use is enormously deleterious to the economic and social development of China as well as to the legitimacy of the government and the Chinese Communist Party.

As a response, the Party and central government have adopted several administrative and political measures to strengthen the enforcement of land laws and regulations. Since 1998, the central government has gradually centralized its authority over land management and has

² *China News*, April 19, 2011, “Ministry of Land and Resources: Any New Golf Course is Illegal.” Available at <http://www.chinanews.com/estate/2011/04-19/2983955.shtml?finance=2>.

³ *People's Daily*, April 15, 2013, “Large Firms should Stand More Rigorous Examination.” Available at http://www.chinadaily.com.cn/hqgj/jryw/2013-04-15/content_8757489.html.

⁴ National Land and Resource Yearbooks, 2000-2012.

⁵ Jianrong Yu, “Major Types and Basic Characteristics of Group Events in Today's China,” *Journal of the University of Chinese Administrative Law*, no. 6 (2009).

conducted several reforms to streamline the land administration system.⁶ In particular, it established the Ministry of Land and Resources (MLR hereafter) and significantly expanded its authority *vis-à-vis* other government entities regarding land use issues. Through the reformed system, the central government began to adopt the so-called “strictest land management institutions”.⁷ The central government also strengthened its oversight capacity by establishing the Supervisor of State Land, a special unit within MLR. The Supervisor relies on satellite technology and inspection tours to monitor land-use activities and detect violations. These administrative measures are backed by harsher penalties, both political and criminal, for illegal activities. Between 2006 and 2011, more than 35,000 cases of illegal land use were disclosed and reportedly rectified, and 8,500 officials at various levels were punished.⁸

The strengthened enforcement efforts and harsher punishments have produced mixed outcomes. While the total number of disclosed land-use violations has steadily declined between 1999 and 2011 (see solid line in Fig.1),⁹ their severity measured by the average size of the illegal land use cases more than tripled over the same period (see line of dashes in Fig.1). As a result, the total area of land illegally occupied and developed in the country remains worryingly large, and this remains a major concern of the government as well as a focus of public attention. Figure 2 describes the pattern of the number of articles that contain

⁶ For a comprehensive discussion on the central government’s reforms of the land administration system, see George Lin, *Developing China: Land, Politics and Social Conditions*, (London; New York: Routledge, 2009).

⁷ The State Council, 2004, “Decision of the State Council on Deepening Reform and Strengthening Land Administration.”

⁸ *Legal Daily*, October 20, 2011, available at: <http://politics.people.com.cn/n/2012/1021/c1026-19333005.html>.

⁹ It should be noted these numbers are based on government statistics and do not include undisclosed illegal land use, so the figures underestimate the true incidence of illegal land use. Also these numbers may be subject to political manipulation for various reasons..

the term “land-use violations (*tudi weifa*)” in *People’s Daily* and *Legal Daily*, two major official newspapers in China. The figure shows that, after a brief period of decline during the 2008 global financial crisis, media coverage on illegal land use quickly rebounded.¹⁰ As a leading official of the MLR acknowledged, “land-use violations remain a salient problem in the land and resource area”.¹¹

(Figure 1 and 2 about here.)

This article seeks to explain the persistent lack of effectiveness in the enforcement of land regulations. Unlike most existing accounts that too frequently focus on the noncompliance of local authorities, this study pays greater attention to the regulatory behavior of the central government. I argue that one previously underexplored reason for uncontained illegal land use is that regulators, even those in the central government, tend to enforce land laws and regulations in a selective manner: they target non-compliance, carry out enforcement actions, and impose punishment selectively based on violators’ political status. More specifically, I argue that firms with high-level political connections are more likely to violate land regulations and influence the enforcement efforts of the central government.

To be sure, illegal land use activities do not always involve actors with high-level political connections; neither can they all attract the attention of regulators in the central government. Rather, a majority of them are relatively small in scale and involve local

¹⁰ One reason for the decline of media coverage (and probably also the actual incidence) of land use violations during the crisis period is that, in order to maintain economic growth, the Chinese government launched a giant stimulus plan and loosened the enforcement of many land regulations.

¹¹ Li Jianqin, 2011, “Violations of Laws and Regulations Remain a Salient Problem in the Land and Resource Area”, available at: http://www.mlr.gov.cn/wszb/2010_gpdb/zhibozhaiyao/201101/t20110120_812987.htm accessed February 5, 2013.

political and business interests only. However, large-scale violations are worth special attention for two reasons. First, inasmuch as they often involve the occupation of large amounts of land, they are more likely to cause discontent and disputes, therefore posing a more serious threat to social stability. Second, as discussed later, larger violations are relatively easier to detect, and therefore should be easier to monitor and regulate from a technical point of view. The government's failure to prevent such violations thus can provide important insight into the politics of the enforcement of land laws and regulations in China.

I will test my argument by analyzing a national policy that prohibited the construction of golf courses since 2004. Despite the government's repeated efforts to strengthen the enforcement, violations of the prohibition remain prevalent. Thus, the case of golf courses constitutes a microcosm for illegal land use in China. Additionally, examining the case of golf courses has an empirical advantage: it allows me to accurately identify land-use violations and observe their enforcement outcomes. Combining regression analysis and case studies, I will provide evidence for the selective enforcement behavior of the central government. First, I collected data on golf course development for a sample of 50 largest real estate developers publicly traded in Chinese stock markets. Using regressions, I find that firms with higher-level political connections are more likely to build illegal golf courses, suggesting that the prohibition has a weaker deterrent effect on such firms. Second, I analyze seven illegal golf courses that were disclosed by the media and then investigated by the central government as "top priority cases" (*guapai duban anjian*). A close examination of these cases based on hundreds of media reports and more than 30 personal interviews, primarily with local officials and businessmen and employees in the real estate industry,

shows that central or provincial-level political elites indeed provide various kinds of support and protection for illegal land use projects.

Scholars have noted that government leaders in democratic political systems often manipulate regulatory processes to serve distributive or redistributive purposes. The logic is that political pressure from voters and interest groups prompts elected politicians to intervene in the functioning of regulatory agencies.¹² In contrast, research that examines the effects of distributive politics on regulatory enforcement is relatively scarce in non-electoral authoritarian regimes. One reason is that it is often assumed that authoritarian regimes like China, due to political centralization, enjoy a greater degree of policy autonomy and a stronger enforcement capacity.¹³ A second reason for this dearth of research is that reliable systematic data on the enforcement of government regulations are often absent in non-democratic contexts. This paper has developed such data, and using China as a case, is able to demonstrate the enforcement impact of distributive politics in an authoritarian regime.

Existing studies on the impediments to effective governance in China have focused on the lack of information by the regulators, the fragmented administrative system, and non-compliance or resistance by local officials.¹⁴ Under a decentralized administrative structure with multiple layers of authorities, local officials often disobey central government

¹² Barbara Geddes, *Politician's Dilemma: Building State Capacity in Latin America* (Berkeley: University of California Press, 1994).

¹³ Olivier Blanchard and Andrei Shleifer, "Federalism with and without Political Centralization: China Versus Russia," *National Bureau of Economic Research Working Paper Series* No. 7616 (2000); Augustin Kwasi Fosu, *Achieving Development Success: Strategies and Lessons from the Developing World* (Oxford: Oxford University Press, 2013).

¹⁴ Martin K. Dimitrov, *Piracy and the State: The Politics of Intellectual Property Rights in China* (Cambridge: Cambridge University Press, 2009); Margaret M. Pearson, "The Business of Governing Business in China: Institutions and Norms of the Emerging Regulatory State," *World Politics* 57, no. 2 (2005); "Governing the Chinese Economy: Regulatory Reform in the Service of the State," *Public Administration Review* 67, no. 4 (2007); Tim Wright, "The Political Economy of Coal Mine Disasters in China: Your Rice Bowl or Your Life," *The China Quarterly*, no. 179 (2004).

policies in pursuit of individual and/or collective local interests.¹⁵ A dominant view in the literature on land politics, for example, portrays land requisition and resulting conflicts as a process of contestation between local governments and dispossessed residents, and attributes local officials' illicit requisitioning of land to their imperative to seek extra-budgetary revenues or promote local economic development.¹⁶ This view correctly identifies the local conflicts of interest among various parties surrounding the use of land, but downplays the behavior of the central government as the regulator and enforcer. This article finds that local officials are by no means the only culprits behind illegal land use practices. Regulators in the central government may also tolerate illegal land use activities for their own purposes.

The Politics of Land Regulation Enforcement in China

Enforcement is costly, because governments need sufficient administrative and fiscal resources to enforce laws and regulations. The conventional wisdom on law and regulation enforcement assumes that non-enforcement reflects weak state capacity.¹⁷ Following this logic, scholars of comparative politics have examined the enforcement impacts of weak state capacity, incompetent government agencies, and weak bureaucratic control in various contexts.¹⁸ Jonathan Schwartz applies this line of reasoning to China and finds that state

¹⁵ Ting Gong and Alfred M. Wu, "Central Mandates in Flux: Local Noncompliance in China," *Publius: The Journal of Federalism* 42, no. 2 (2012); Kevin J. O'Brien and Lianjiang Li, "Selective Policy Implementation in Rural China," *Comparative Politics* 31, no. 2 (1999); Andrew Wedeman, *From Mao to Market: Rent Seeking, Local Protectionism, and Marketization in China* (New York: Cambridge University Press, 2003).

¹⁶ For example, see Sally Sargeson, "The Politics of Land Development in Urbanizing China," *The China Journal*, no. 66 (2011); Meg Rithmire, "Land Politics and Local State Capacities: The Political Economy of Urban Change in China," *The China Quarterly* 216(2013); Yongshun Cai, "Collective Ownership or Cadres' Ownership? The Non-Agricultural Use of Farmland in China," *ibid.* 175(2003); You-tien Hsing, "Land and Territorial Politics in Urban China," *ibid.*, no. 187 (2006).

¹⁷ Joel S. Migdal, *Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World* (Princeton: Princeton University Press, 1988).

¹⁸ Sandra F. Joireman, "Enforcing New Property Rights in Sub-Saharan Africa: The Ugandan Constitution and the 1998 Land Act," *Comparative Politics* 39, no. 4 (2007); Nicolas Van de Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999* (Cambridge ; New York: Cambridge University Press, 2001).

capacity—defined as a combination of human capital, fiscal strength, and the reach of the state apparatus—plays a key role in explaining the regional variations in the enforcement of environmental policy.¹⁹

Enforcement may also incur political costs.²⁰ Political imperatives, especially to garner political support from key constituencies, often motivate government leaders to intervene in the functioning of regulatory agencies.²¹ To address this problem, most developed countries have introduced independent regulatory agencies in key policy areas. Even so, government leaders' political concerns may exert an influence on enforcement. For example, using data from the U.S. taxation agency, the Internal Revenue Service, researchers have found that the proportion of individual income tax returns audited is lower for electoral districts that are more important to the president.²² When regulatory enforcement is not by way of independent agencies, intervention is all the easier. Political favoritism in the enforcement of environmental regulations in Brazilian cities is more evident in election years, especially when the incumbent mayor faces stiffer electoral competition.²³ Data from three Latin American cities show that mayors who rely on rich and middle-class constituencies conduct more enforcement operations against poor street vendors than do mayors who rely on poorer constituencies.²⁴

¹⁹ Jonathan Schwartz, "The Impact of State Capacity on Enforcement of Environmental Policies: The Case of China," *The Journal of Environment & Development* 12, no. 1 (2003).

²⁰ Robert A. Kagan, "Editor's Introduction: Understanding Regulatory Enforcement," *Law & Policy* 11, no. 2 (1989).

²¹ Navroz K. Dubash and Bronwen Morgan, "Understanding the Rise of the Regulatory State of the South," *Regulation & Governance* 6, no. 3 (2012); Geddes, *Politician's Dilemma: Building State Capacity in Latin America*.

²² Marilyn Young, Michael Reksulak, and William F. Shughart, "The Political Economy of the I.R.S.," *Economics & Politics* 13, no. 2 (2001).

²³ Claudio Ferraz, "Electoral Politics and Bureaucratic Discretion: Evidence from Environmental Licenses and Local Elections in Brazil," (Instituto de Pesquisa Economica Aplicada, 2007).

²⁴ Alisha Holland, "The Distributive Politics of Enforcement," *American Journal of Political Science*,

The literature on distributive politics and enforcement primarily focuses on democracies, as elected politicians are often regarded as facing stronger distributive pressures than their non-elected counterparts.²⁵ Nevertheless, authoritarian leaders also seek to maintain the support of crucial domestic actors, especially the “selectorate”: i.e., the group within the political elite who are able to influence leadership selection.²⁶ As with other authoritarian rulers, Chinese leaders are never immune to challenges from regime insiders. For them, political survival is a constant concern. Over the reform decades, elite struggles have led to the downfall of two General Party Secretaries and a number of other senior officials. Compared with their predecessors, more recent leaders face an even more uncertain political environment, due to their relatively weak personal authority and the declining discipline of the Party.²⁸ To be sure, regime leaders can reduce political uncertainty by purging disloyal officials and promoting those they trust, thereby changing the composition of the selectorate in their own favor.²⁹ However, their ability to do so is limited, since ambitious power plays often trigger collective resistance from other members of the elite to whom this poses a threat.³⁰

Concerned about political survival, authoritarian leaders must share the spoils of office

forthcoming.

²⁵ Miriam Golden and Brian Min, "Distributive Politics around the World," *Annual Review of Political Science* 16, no. 1 (2013).

²⁶ Susan L. Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993); Jennifer Gandhi and Adam Przeworski, "Authoritarian Institutions and the Survival of Autocrats," *Comparative Political Studies* 40, no. 11 (2007); Bruce Bueno de Mesquita, *The Logic of Political Survival* (Cambridge, Mass.: MIT Press, 2003).

²⁸ Susan L. Shirk, *China: Fragile Superpower* (Oxford: Oxford University Press, 2007).

²⁹ Victor Shih, Christopher Adolph, and Mingxing Liu, "Getting Ahead in the Communist Party: Explaining the Advancement of Central Committee Members in China," *American Political Science Review*, 106, no. 1 (2012).

³⁰ Milan W. Svobik, "Power Sharing and Leadership Dynamics in Authoritarian Regimes," *American Journal of Political Science* 53, no. 2 (2009); Ronald Wintrobe, *The Political Economy of Dictatorship* (Cambridge, UK ; New York, NY: Cambridge University Press, 1998).

with other sectors of the political elite to maintain their loyalty.³¹ A common rent-sharing strategy is the use of distributive institutions and policies, ranging from the direct allocation of fiscal funds and public employment to more delicately designed industrial and monetary policies.³² For example, a landmark analysis of the agricultural policy in Africa suggests that African leaders manipulated the markets of agricultural products to favor their core supporters in urban sectors and within state bureaucracies.³³ Indonesia under Suharto's rule stubbornly maintained capital account openness during the 1997 Asian financial crisis to protect the interests of those mobile-capital owners who were important members of Suharto's ruling coalition.³⁴ In Malaysia, the New Economic Policy characterized by strong state interventions in the economy has long been criticized for having created numerous rent-seeking opportunities for powerful members of the regime and firms connected to them.³⁵

Although law and regulation enforcement is rarely considered a distributive policy, it often has distributive impacts. In particular, how laws and regulations are enforced may affect the distribution of rents available to members of the political elite and their business partners and incur a potential political cost for authoritarian leaders. Connections between political elites and business interests are ubiquitous in developing countries, including

³¹ Beatriz Magaloni, "Credible Power-Sharing and the Longevity of Authoritarian Rule," *Comparative Political Studies* 41, no. 4-5 (2008); Svobik, "Power Sharing and Leadership Dynamics in Authoritarian Regimes; Wintrobe, *The Political Economy of Dictatorship*.

³² Leonard R. Arriola, "Patronage and Political Stability in Africa," *Comparative Political Studies* 42, no. 10 (2009). Lisa Blaydes, *Elections and Distributive Politics in Mubarak's Egypt* (New York: Cambridge University Press, 2011); Beatriz Magaloni, *Voting for Autocracy: Hegemonic Party Survival and Its Demise in Mexico* (New York: Cambridge University Press, 2006).

³³ Robert H. Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies* (Berkeley: University of California Press, 1981).

³⁴ Thomas B. Pepinsky, *Economic Crises and the Breakdown of Authoritarian Regimes: Indonesia and Malaysia in Comparative Perspective* (New York, NY: Cambridge University Press, 2009).

³⁵ Edmund Terence Gomez and K. S. Jomo, *Malaysia's Political Economy: Politics, Patronage and Profits*, 2nd ed. (Cambridge, U.K. ; New York: Cambridge University Press, 1999).

China.³⁶ Scholars have long noticed the increasing conjoining of wealth and power in China. For example, in *Red Capitalism*, Charles Walter and Fraser Howie describe the Chinese economy as a “family business”, in which special interest groups led by families of political elites are commonplace.³⁷ This leads some scholars to warn that rent seeking by political elites has “trapped” further political and economic transition in China.³⁸

Connections between business interests and political elites may take a variety of forms, with two most representative in the Chinese context. The first is that many firms in China are owned by the central or local states. State-owned enterprises (SOEs) are inherently embedded in the Chinese political system. Their leading managers are state officials with administrative ranks. Some SOE managers are full or alternate members of the Central Committee of the Party, or delegates to legislative bodies at national and subnational levels. In addition, the frequent rotation of officials between SOEs and the government further strengthens the existing ties between SOEs and the ministries responsible for their supervision.³⁹ These formal and informal ties provide SOEs with significant preferential treatments such as bank loans as well as privileges in the implementation of government policy.⁴⁰ For example, a recent study has shown that cities dominated by large SOE firms have a poorer record in the implementation of central government policies designed to enhance environmental

³⁶ Raymond Fisman, "Estimating the Value of Political Connections," *The American Economic Review* 91, no. 4 (2001); Asim Ijaz Khwaja and Atif Mian, "Do Lenders Favor Politically Connected Firms? Rent Provision in an Emerging Financial Market," *The Quarterly Journal of Economics* 120, no. 4 (2005); Hongbin Li et al., "Political Connections, Financing and Firm Performance: Evidence from Chinese Private Firms," *Journal of Development Economics* 87, no. 2 (2008).

³⁷ Carl E. Walter and Fraser J. T. Howie, *Red Capitalism: The Fragile Financial Foundation of China's Extraordinary Rise* (Singapore: Wiley, 2011).

³⁸ Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy* (Cambridge, Mass.: Harvard University Press, 2006).

³⁹ Kjeld Erik Brødsgaard, "Politics and Business Group Formation in China: The Party in Control?," *The China Quarterly* 211(2012).

⁴⁰ Yasheng Huang, *Selling China: Foreign Direct Investment During the Reform Era* (Cambridge: Cambridge University Press, 2003).

transparency.⁴¹

Unlike SOEs that hold formal positions within the Chinese political system, private firms generally have to rely on clientelistic ties with individual officials to pursue influence and preferential treatments.⁴² Private entrepreneurs can also attempt to join the Party as well as state-sponsored political organizations and associations.⁴³ In particular, a large number of successful private entrepreneurs have joined China's legislative bodies, namely the People's Congress and the People's Political Consultative Conference (PPCC), at both national and sub-national levels.⁴⁴ Since the selections of People's Congress and PPCC members are under the tight control of the Party, membership in these organizations often indicates preexisting clientelistic ties between private entrepreneurs and government officials.⁴⁵ Informally, business owners can also procure clientelistic ties with powerful officials through bribery and cultivating personal friendship, although these informal relationships may be less stable and credible than the ones undergirded by formal organizations and institutions.⁴⁶

The real estate boom of the past two decades has turned the land sector into a venue of rent seeking by political elites at various levels. Under the current institutional arrangement,

⁴¹ Peter Lorentzen, Pierre Landry, and John Yasuda, "Undermining Authoritarian Innovation: The Power of China's Industrial Giants," *The Journal of Politics* 76, no. 01 (2014).

⁴² David A. Steinberg and Victor C. Shih, "Interest Group Influence in Authoritarian States: The Political Determinants of Chinese Exchange Rate Policy," *Comparative Political Studies* 45, no. 11 (2012).

⁴³ Scott Kennedy, *The Business of Lobbying in China* (Cambridge: Harvard University Press, 2005). Bruce J. Dickson, *Wealth into Power: The Communist Party's Embrace of China's Private Sector* (Cambridge; New York: Cambridge University Press, 2008).

⁴⁴ For the economic payoff of joining the national People's Congress, see Rory Truex, "The Returns to Office in a 'Rubber Stamp' Parliament," *American Political Science Review* 108, no.2 (2014). For politicians to nominate businesspeople with whom they have clientelistic ties to become legislators is not unique to China. It is also prevalent, for example, in Egypt and Romania. See Lisa Blaydes, *Elections and Distributive Politics in Mubarak's Egypt*; Oleh Protsyk and Marius Lupsa Matichescu, "Clientelism and Political Recruitment in Democratic Transition: Evidence from Romania," *Comparative Politics* 43, no. 2 (2011).

⁴⁵ Kellee S. Tsai, *Capitalism without Democracy: The Private Sector in Contemporary China* (Ithaca: Cornell University Press, 2007).

⁴⁶ Xin Sun, Jiangnan Zhu, and Yiping Wu, "Organizational Clientelism: An Analysis of Private Entrepreneurs in Chinese Local Legislatures," *Journal of East Asian Studies*, 14, no. 1 (2014).

the local government has a monopolistic authority to convert land from agricultural to construction use, to requisition land from local residents, and to lease it to firms for industrial or commercial purposes. Since local residents are to a great extent under-compensated, land requisition and conversion often create a huge revenue margin, which can be shared between local governments and favored businesspeople through manipulated land transactions.⁴⁷

SOEs are important rent-seekers in the land market. As of 2010, 21 out of the then 169 centrally administrated SOEs (central SOEs hereafter) ran real estate businesses with the formal approval of the central government. Examples of these SOE developers include Poly Group, a giant corporation with close ties to the military, and Overseas Chinese Town Holding Company, a real estate corporation headed by the son of a veteran Party leader. Additionally, another 78 among the 169 central SOEs also operated real estate projects through 227 subsidiaries. Although in 2010 the central government explicitly ordered the 78 firms to quit the real estate industry, this mandate encountered strong resistance from these powerful business groups. It is estimated that more than 200 out of the 227 subsidiaries remained in business two years after the issuance of the mandate. These state-owned developers are often linked to violations of national land laws and regulations. In an interview, I asked a local private developer in Guangdong in 2013 why he did not build more profitable luxury detached villas like the developer of a nearby project. His answer was simply: "Detached villas are illegal, you know. That developer is a state-owned firm so it can do whatever it wants. We simply cannot do the same."

⁴⁷ Sally Sargeson, "Violence as Development: Land Expropriation and China's Urbanization," *The Journal of Peasant Studies* 40, no. 6 (2013). Hongbin Cai, J. Vernon Henderson, and Qinghua Zhang, "China's Land Market Auctions: Evidence of Corruption?," *The RAND Journal of Economics* 44, no. 3 (2013).

Private firms with various political connections with state elites are also important participants in the land market. The data I collected suggest that among the 50 largest firms listed in Chinese stock markets, 16 are owned or controlled by businesspeople who are People's Congress or PPCC members at national or provincial levels. Media reports on land-use violations by private firms with political connections are abundant. For example, Bo Xilai, a former Politburo member and Party boss in Chongqing, had allowed two firms personally connected with him to occupy and use land illegally when he served as Mayor and Party Secretary of Dalian.⁴⁸ More recently, a series of media reports on Gen. Gu Junshan, a high-level military official, and Zhou Bin, the son of Zhou Yongkang, a former member of the Politburo Standing Committee, have similarly revealed that they directly or indirectly helped developers connected through business links to their own family members to illicitly occupy land.⁴⁹

It is logical to hypothesize that firms with higher-level political connections may exert stronger pressure on the central government's regulatory agencies. In the following sections, I use a case study based on the national regulation of golf course prohibition to test this hypothesis.

Golf Courses: A Microcosm of Illegal Land Use in China

⁴⁸ One of the two firms is a SOE owned by Dalian municipal government. The other is a private firm owned by Xu Ming, a businessman who had tight personal ties with Bo's family and was subsequently appointed as a member of the PPCC standing committee in Liaoning.

⁴⁹ Heyan Wang, "Tegao: Gu Junshan zhi Di Gu San de Wangguo" ("Special Report: The Kingdom of Gu San, the Brother of Gu Junshan"), *Caixin Wang* (*Caixin Online*), Jan, 15 2014. Available at: <http://china.caixin.com/2014-01-15/100629216.html>. Jieqi Luo, "Liu Han yu Zhou Bin de Liangci Shangye Hezuo" ("Two Business Cooperations between Liu Han and Zhou Bin"), *ibid.*, March, 13. Available at: <http://china.caixin.com/2014-03-13/100651130.html>.

In January 2004, the central government issued a “Notice on the Suspension of New Golf Courses”, a national regulation that prohibited the construction of new golf courses in China. According to the notice, “All central ministries and local governments are forbidden from approving new golf course projects. All unapproved golf courses under construction should be suspended immediately, and all golf courses that have not yet begun construction are not allowed to do so.”⁵⁰ This prohibition has also been reiterated and emphasized in several other decrees the central government has issued since 2004, as summarized in Table 1. Top leaders of the Party and the government have also expressed the importance of the prohibition and called for strict enforcement on several occasions.⁵¹

(Table 1 about here)

The central government’s major concern behind the regulation was that large stretches of land were being grabbed for the development of golf courses, resulting in conflicts between local governments and local farming villages. Since the 1990s, the housing reform and the emergence of wealthy classes have unleashed a strong demand for high-end properties such as villas. Golf courses make these properties more attractive to consumers and investors.⁵² Driven by lucrative profits, developers rushed to build golf courses. Local officials are also enthusiastic about building golf courses, because these large-scale projects boost land revenue, elevate the image of their jurisdictions, and provide corrupt rent-seeking

⁵⁰ The General Office of the State Council, 2004, “Notice on the Suspension of New Golf Courses”.

⁵¹ Most notably, Premier Wen Jiabao gave a speech at the National People’s Congress in March 2007, emphasizing the need of strictly enforcing land laws and regulations with a special mention of golf courses. Party Secretary General Hu Jintao also called for the strict enforcement of land laws and regulations in August 2011.

⁵² Ye Shuli, “Qicheng Gaoerfu Qiuchang Kuisun, Kaifashang Yizai Ladong Zhoubian Fangjia” (“Seventy Percent Golf Courses Incur Losses; Developer Aim to Boost the Price of Neighboring Properties”), *Meiri Jingji Xinwen (National Business Daily)*, 21 June 2011.

opportunities for themselves. Golf courses therefore have mushroomed in China, setting off a number of collective protests by dispossessed residents.

Despite the multiple campaigns launched by the central government to strengthen enforcement and crack down on illegal golf courses, the regulation fails to hit the brake on the golf course boom. In 2011, it was estimated that the number of golf courses increased from 170 in 2004 to more than 600, and hundreds of more were reportedly under construction.⁵³ Apparently, the regulation encountered a serious enforcement problem.

Existing research on the weaknesses of law and regulation enforcement in China provides an inadequate explanation for the proliferation of golf courses and thus the prevalent violations of the national regulation. First, a lack of information by regulatory agencies, a widely recognized hurdle to effective enforcement, does not exist in the case of golf courses.⁵⁴ This is largely because the central government has long employed satellite technology in the detection of land use violations, and this measure is particularly effective in the detection of large-scale violations such as golf courses. As a local official in Beijing acknowledged in an interview in 2012, “Of course the central government knows where the golf courses are. How could it be possible to conceal such giant projects from the satellite?”

Second, the lack of enforcement does not simply boil down to the non-compliance of local officials. This is because, as demonstrated by some of the cases examined below, the central government sometimes punished or even removed the local officials involved in these

⁵³ “Gaoerfu Qiuchang, zai Jinling xia Shengzhang” (“Golf courses: Growing under Prohibition”) *Renmin Ribao* (*People’s Daily*), 20 June 2011.

⁵⁴ For examples of information asymmetries between central and local governments and their impacts on governance in China, see Mayling Birney, “Decentralization and Veiled Corruption under China’s ‘Rule of Mandates’,” *World Development* 53, no. 1 (2014); Andrew Wedeman, “Incompetence, Noise, and Fear in Central-Local Relations in China,” *Studies in Comparative International Development* 35, no. 4 (2001).

illegal projects but failed to impose the alleged penalties on the projects themselves. And the question remains why, in cases when the central government gets involved, some golf courses were dismantled while others were largely unaffected?

Third, one might also argue that non-enforcement could result from the structural deficiencies of the Chinese bureaucracy. In a seminal work, Kenneth Lieberthal and Michel Oksenberg describe China's bureaucratic system as a highly fragmented one, which leaves policy outcomes vulnerable to the manipulation of various government agencies charged with the actual implementation and enforcement process.⁵⁵ Case studies based on various policy areas, such as energy, telecommunications, and food and drug safety, have supported this argument.⁵⁶ But bureaucratic fragmentation is unlikely to be the most important reason for the failures to enforce the golf course prohibition. Compared with regulatory agencies in other policy areas, MLR has been granted more independent authority for enforcement.⁵⁷ Even if bureaucratic fragmentation nevertheless plays a crucial role, since institutions reflect power relations one needs to ask what kind of power structure underpins the fragmented governance system in China and why the government persistently fails to fix this problem.

Empirical Analysis and Discussion

In this section, I first use regression models to determine the types of firms that are more likely to build illegal golf courses after the promulgation of the prohibition. Then I conduct

⁵⁵ Kenneth Lieberthal and Michel Oksenberg, *Policy Making in China: Leaders, Structures, and Processes* (Princeton: Princeton University Press, 1988).

⁵⁶ Andrew Mertha, " 'Fragmented Authoritarianism 2.0': Political Pluralization in the Chinese Policy Process," *The China Quarterly*, no. 200 (2009); Pearson, "Governing the Chinese Economy: Regulatory Reform in the Service of the State"; Waikung Tam and Dali L. Yang, "Food Safety and the Development of Regulatory Institutions in China," *Asian Perspective* 29, no. 4 (2005).

⁵⁷ Barry Naughton, "The Assertive Center: Beijing Moves against Local Government Control of Land," *China Leadership Monitor*, no.4 (2007).

an in-depth analysis on seven illegal golf courses that had received extensive report in the national media and subsequently drawn the attention of land regulators in the central government. Because the enforcement actions against the seven golf courses were directly led by the MLR, their different outcomes reflect the enforcement behavior of the central government.

The regression analysis is based on an original data set of the 50 largest real estate developers (in terms of firm assets as of 2012) publicly traded in the stock markets of Shanghai, Shenzhen, and Hong Kong. From hundreds of sources including media reports, online forums, local government reports, and interviews, I collected data on whether these developers have built standard 18-hole or larger golf courses between 2007 and 2012, and if so, how many.⁵⁸ I also collected information on these developers' political connections, measured by their SOE status and, if they are private, by whether they are owned by People's Congress or PPCC members at the national or provincial level.⁵⁹

The data indicates that a majority of these 50 largest developers possess some types of political connections. Among them, 11 are central SOEs while another six are provincial

⁵⁸ The data set includes only the 50 largest developers due to the difficulty of collecting information on developers' golf course development behaviors. No official statistics exist for illegal golf courses. Many developers do not advertise their golf course properties on their websites. This is because, as explained by a golf course manager, developers try to keep a low profile to avoid media exposure. Due to the lack of public information, I have to search each individual illegal golf course by reading dozens of media reports, forum posts, and local government reports, and verified them through Google Earth, telephone interviews and field visits. I find no particular reason why the argument would not apply to a larger sample. However, I admit the limitation of the current analysis.

⁵⁹ I use the year 2007 instead of 2004 as the threshold for two reasons. First, there might be some previously approved golf courses that just began construction in 2004 (although it is estimated that only less than twenty golf courses were formally approved even before 2004). Typically, the construction period for a golf course should last no longer than three years. In other words, we should be highly confident that all golf courses opening after 2007 violated the prohibition. Second, choosing 2007 as the threshold also facilitates the measurement of political connections, because the two Chinese national legislatures, National People's Congress and Chinese People's Political Consultative Conference, as well as their provincial counterparts, held reelections at 2007. Members elected at 2007 served a five-year term until 2012.

SOEs. The CEOs of eight firms were members of the National People's Congress or the national Chinese People's Political Consultative Conference (CPPCC), while another eight were members of People's Congresses or PPCCs at the provincial level. The remaining 17 firms have either no political connections or connections only below the provincial level.

A close examination of the data reveals that political connections are indeed decisive factors in firms' decisions to develop golf courses. Between 2007 and 2012, 19 out of the 50 developers built at least one golf course, thus violating the national regulation. The total number of golf courses the 19 developers built was 30. Seven out of the 19 violators are central SOEs. Another three are provincial SOEs owned by the Beijing municipal government. The remaining nine violators are private firms. Six of these are National People's Congress or CPPCC members, one is a member of the PPCC standing committee at the provincial level, and another two seem to have no observable political connections. However, one of the two seemingly unconnected firms possesses a purely personal connection with members of the top political elite in Beijing.⁶⁰

I ran two regressions to test the impact of political connections on firms' violations. The two dependent variables are whether the firms have built golf courses and the number of golf courses they have built. Besides political connections, I also control for some other variables, including firm size measured by assets; listing location (Shanghai, Shenzhen or Hong Kong); and year of the firms' initial public offerings (IPO). Firm size is included as a control variable

⁶⁰ This listed firm illegally occupied 8000 *mu* of land to build a real-estate complex with a 45-hole golf course in Sichuan province, jointly with a local private firm that held 10 percent of the stock of the whole project. The owner of the listed firm is the niece of a former PSC member of the Party. More recently, as media reports about the investigation of Zhou Yongkang have revealed, the local private firm is actually closely connected to Zhou Bin, the son of Zhou Yongkang. See "Zhou Yongkang de Hong yu Hei." ("Zhou Yongkang's 'Reds' and 'Blacks'.") *Xin Shiji Zhoukan* (Century Weekly). Issue 6, 2014.

because one might argue that larger firms are more likely to obtain legislative membership and at the same time have stronger financial capacity to build costly golf courses. If this is the case, the observed correlation between political connections and golf course development might be a spurious one. Another potentially confounding variable is foreign ownership. Despite the absence of formal decrees, it might be assumed that the regulatory agencies in the central government may treat foreign capital differently for the purpose of attracting and encouraging foreign investment. To test this possibility, I control firms' listing locations because, for historical reasons, firms listed in the Hong Kong stock market are more likely to have foreign backgrounds. I also control for the year of initial public offering as a proxy for a firm's expertise and experience in the real estate industry.

In Table 2, the first column reports the results of a logistic model, the dependent variable of which indicates whether the firms in question have built golf courses during 2007-2012. The second column reports the results of a Poisson model, used to explain the number of golf courses a sample firm has built.⁶¹ Both sets of results show that political connections at the central level, measured by the status of central SOEs and national People's Congress/CPPCC membership, significantly increase a firm's probability that it has built illegal golf courses. At the provincial level, both SOE status and legislative membership have positive effects, although only legislative membership achieves statistical significance in the logistic model. Substantively, SOE status at central and provincial levels increases a firm's likelihood of building illegal golf courses by 60 and 22 percent, respectively. In contrast, membership in national and provincial legislatures increases the likelihood by 81 and 51 percent,

⁶¹ The major findings do not change if I use a negative binomial regression instead of the poisson regression.

respectively. These results confirm the hypothesis that the developers who built golf courses have excellent political connections. Those who lack such political capital are less willing to violate the prohibition.

(Table 2 about here)

Among the control variables, firm size has a negative but insignificant effect, suggesting that the availability of financial resources is not as important as the political risk involved. In fact, the negative sign of firm size is compatible with a political logic: larger firms are in general less willing to violate the prohibition and risk punishment because their leading positions in the industry risk more media and public attention than smaller firms. Therefore, larger firms are more likely to stay away from the highly uncertain golf course market unless reliable protection from high-level political elites is available.⁶² Finally, neither listing location nor the year of initial public offering is significant, suggesting that neither foreign capital nor length of a firm's experience in the industry can explain firms' willingness to participate in golf course development.

The regression analysis indicates that firms with higher-level political connections are more capable of violating the national prohibition of golf courses. However, the mechanisms behind this capability remain unclear. For example, one might contend that politically connected firms are simply more successful in bribing local officials in exchange for the latter's support in acquiring land and covering up illegal land use. Or it might be that these firms simply have a better understanding of the government's land regulations, so that they know when and how regulators in the central government are more likely to make exceptions

⁶² Interview with real estate developer in Guangdong, February 2013.

and permit their golf course projects. However, the following seven cases suggest that political connections with high-level political elites are the most salient factor in the development of illegal golf courses.

These seven illegal golf courses were included in the central government's list of "top priority cases" of land-use violations, a list established by MLR in 2009 to strengthen enforcement and rectify the most serious violations. On a seasonal basis, MLR compiles this list, often as a response to extensive media coverage and public attention.⁶³ It then supposedly imposes punitive measures on these violations and supervises the dismantling of golf courses and the reclaiming of the land occupied. MLR also publicizes the outcomes through its official website and regular press conferences. Between 2009 and 2012, 65 land-use violation cases were listed, involving a total area of 51 thousand *mu* (3.4 thousand hectares) of land. Hundreds of officials at city, county and township levels were punished and sometimes removed from office. Seven out of the 65 listed cases are violations of the golf course prohibition.⁶⁴

Table 3 provides a snapshot of the seven illegal golf courses on the list of "top priority cases". They are located in seven different provinces, suggesting that violations of the prohibition are not bunched in certain localities. They also vary in size, with the two largest ones containing 54 and 27 holes respectively and the rest, standard 18-hole courses. The developers of these golf courses include both private firms and SOEs and firms doing

⁶³ The Ministry of Land and Resources, 2011, "Measures on the Publication and Listing of Serious Violations in Areas of Land and Natural Resources for Immediate Handling (*Guotu Ziyuan Lingyu Weifa Weigui Anjian Gongkai Tongbao he Guapai Duban Banfa*)".

⁶⁴ Another two cases involve illegal land occupation in the construction of practice ranges rather than standard golf courses. Since there is no explicit government regulation on whether practice ranges are allowed, I exclude these two cases from the analysis.

business in both national and local markets.

(Table 2 about here)

The seven illegal golf courses provide valuable information about the politics of enforcement in China. As a response to extensive media reports, and to demonstrate its authority, MLR spent a lot of administrative resources to investigate and rectify these violations. Therefore, there is no chance that these violations were covered up by any individual bureaucrat at lower levels. In fact, a mid-level MLR official whom I interviewed in Beijing in 2013 implied that the disposition of these “top priority cases” were highly politicized and subject to the decisions of national leaders. Moreover, MLR stipulated that all seven courses were to be dismantled immediately and the land used for their construction to be reclaimed, suggesting that no exceptions were to be made.

An interesting diversification emerges when the fates of the seven illegal golf courses are examined. The two projects in Inner Mongolia and Xinjiang were dismantled immediately and thoroughly, while the one in Hebei appeared to be dismantled, but the dismantlement turned out to be incomplete since some infrastructure such as the grounds and the roads were preserved. In contrast, the two courses in Hunan and Heilongjiang were suspended, but the facilities were kept intact, indicating a possibility of reopening in the future. The two projects in Yunnan and Guangdong were almost unaffected. They remained in business without even temporary suspension. Ironically, the two least affected courses are also the largest among the seven, with 54 and 27 holes respectively; their violations are therefore more serious than the rest. Why did these otherwise similar violations end up with such different fates?

A close examination shows that the political connections of the developers of these golf

courses are a decisive factor behind these varying enforcement outcomes. The two national real estate developers, Century Golden Resources Group in the Yunnan case, and Kingold Group in the Guangdong case, are both tied to political elites in the central government. The President of Golden Resources, Huang Rulun, serves as the vice-chairman of the China General Chamber of Commerce, an organization sponsored by the Party. He is also a standing committee member of the All-China Federation of Returned Overseas Chinese and the PPCC in Fujian province. Beyond these organizational ties, Huang also maintains a close friendship with at least one former Politburo Standing Committee member, whose career experience in Fujian and Beijing overlapped with the development trajectory of Golden Resources.⁶⁶ It should also be noted that in order to nurture and maintain its political connections, Golden Resources has spent hundreds of millions of *yuan* every year on donations to various charity organizations sponsored by the Party, a type of expenditure necessary for private entrepreneurs to signal loyalty to their patrons in the government.

The Chairman of Kingold, Zhou Zerong, is another major developer who possesses high-level political connections. Although as an Australian citizen Zhou is not qualified for legislative membership, he took a wise detour by building informal ties with powerful members of the political elite in the central government. Over the past decade, he has, on several occasions, accompanied Chinese leaders in their visits to Australia and hosted major Australian politicians in China in the presence of top Chinese officials.⁶⁸ He was also the Chairman of the China Overseas Chinese Entrepreneurs Association, a commercial

⁶⁶ Interview with a real estate sales manager in Yunnan, August 2012; also see Fu Tao and Shen Li, “Shiji Jinyuan Tengchong Weigui Zhendi” (“Golden Resources’ Illegal Land Taking in Tengchong”), *Xin Shiji Zhoukan (Century Weekly)*. Issue 4, 2011.

⁶⁸ Central leaders Zhou has accompanied during visits include Hu Jintao, Li Keqiang, Xu Caihou, Liu Qi and Wang Yang.

association established by the Party as part of the United Front strategy.⁶⁹ My interviewees in Guangzhou have suggested that he maintains a close relationship with the offspring of a veteran leader of the Party, whose family has political power in Guangdong province as well as political influence in Beijing and the military.⁷⁰

These political connections at the central level provide the two developers with political support. For example, after Golden Resources decided to build its golf-villa complex in Yunnan, local officials at prefectural, county and provincial levels received pressure from their supervisors. They were asked to help the developer acquire bank loans and land.⁷¹ As a result, Golden Resources was allowed to use more than five thousand *mu* of farmland without the required formal approval of the MLR. A number of central and provincial officials, including the aforementioned former Politburo Standing Committee member, visited the project to help “coordinate different local agencies and balance various interests”.⁷²

After MLR publicized the land-use violation, county-level officials quickly became scapegoats. The county’s Party secretary was removed from office, but the project itself continued as if nothing had happened. The developer reportedly paid several million *yuan* as a penalty, but the fine is almost nothing compared to the profit the project has made. The patronage Golden Resources received from members of the political elite in Beijing has enabled it to escape harsher punishment.

In contrast, the three illegal golf courses in Hebei, Inner Mongolia and Xinjiang lacked

⁶⁹ Interview with an Australian scholar in Beijing, March 2013; Wikileaks.org. 2007. “Guangdong Overseas Chinese Businessmen’s Association Stands United Front.” 07 July 2007, available at <http://wikileaks.org/cable/2007/07/07GUANGZHOU851.html>. Accessed 12 March 2013.

⁷⁰ Interview with a local businessman in Guangdong, February 2013,

⁷¹ Interview with a local official in Yunnan, August 2012.

⁷² Interview with a local official in Yunnan.

the privileges enjoyed by Golden Resources and Kingold. Two of the three were immediately dismantled after being listed as top priority cases, with the land reclaimed by the local government for other uses.⁷³ Developers of the three courses have a common characteristic: according to existing evidence, all of them are connected with political elites primarily at the local (city and county) level. In Inner Mongolia the developer was a mining company that did all of its business within the city of Ordos. As a member of the city's People's Congress, the firm's owner maintained good relationships with leading city and district officials. Having accumulated wealth in mining, the firm began to enter the burgeoning and more profitable real-estate market. With the support of local officials, the firm acquired seven thousand *mu* of forestland for the ostensible purpose of environmental and ecological projects, but in fact turned it into a golf-villa resort. In exchange, the firm promised to sell some of the villas to government-designated customers, primarily government employees, at cost.⁷⁴ In April 2010, a national newspaper reported the land-use violation, prompting MLR's quick decision to select it as a top priority case.⁷⁵ Facing tremendous political pressure from the central government, the firm's local support quickly collapsed. Career concerns forced local leaders to withdraw their encouragement of the project and turn into enforcers. The Party secretary of Ordos apologized in an interview, claimed ignorance about the violation, and promised stricter enforcement in the future. The golf course was then dismantled and the land was reclaimed.

⁷³ The one in Hebei was probably an exception because while the buildings of the golf course were dismantled, land reclamation was reportedly incomplete and superficial. See Li, Guangshou and Chunyan Zhao, "Keyi de Fugeng" ("The Suspicious Reclamation"), *Meiri Jingji Xinwen (National Business Daily)*. 3 November, 2011.

⁷⁴ Interview with a local businessman in Inner Mongolia, December 2011

⁷⁵ Wang, Wenzhi and Bo Xiao. 2010. "Guojia Shengtai Zhili Qu Jing Bianshen Gaoerfu Qiuchang." ("How did an Ecological Area Turn into a Golf Course.") *Jingji Cankao Bao (Economic Information)*, 8 April.

The fates of the two golf courses in Hunan and Heilongjiang lay between these two extremes. They were suspended after MLR's actions, but the buildings, infrastructure and facilities remained intact, and the land for their construction was not retrieved. This means that, while the projects suffered significant losses, there remains a chance for them to reopen after enforcement weakens and a renewed lobbying effort. In both cases, provincial leaders were either directly or indirectly involved. The developer behind the illegal golf course in Hunan was a provincial PPCC member⁷⁶ and also vice-president of the Hunan Chamber of Commerce in Yunnan Province, a cross-regional business association with networks in both provinces. Because of these organizational ties, his project was selected by the Hunan provincial government as a key construction project at the provincial level (*shengji zhongdian jianshe xiangmu*). This status has provided the project with many privileges, including bank loans, land and most importantly support from city and county governments. Provincial leaders visited the project both before and after MLR publicized its land-use violation.⁷⁷ Despite the temporary suspension, the project reopened quietly one year later. The head of the provincial PPCC visited the project after the reopening and played a round of golf, making it explicit that the required dismantlement had not been carried out and that this noncompliance enjoyed the implicit protection of some provincial-level officials.

Similar to the Hunan case, the golf course in Heilongjiang was developed by a firm with extensive connections at the provincial level. In fact, the project had been created as part of the provincial Party committee's strategy to promote tourism within the province. Adjacent to

⁷⁶ Xiangshengbao.com "Deng Futang: Xin Nongcun Jianshe de Xingzhe" ("Deng Futang: An Explorer of the New Countryside Construction."), 14 Feb 2013, available at: <http://www.xiangshengbao.com/bencandy.php?fid-50-id-7584-page-1.htm>.

⁷⁷ The official website of the developer indicates that provincial leaders who have visited the project include the PPCC president, the vice-Party secretary, the vice-governor and other standing committee members of Hunan.

a famous tourist site, the project ranked number one among the twelve projects of “famous tourist towns” (*lvyou mingzhen*) proposed by the provincial Party secretary at the time. To respond to the provincial leader’s call, the government of Mudanjiang municipality immediately set up a state-owned firm to develop the project, an essential part of which is the golf course and the villas surrounding it. A city official I interviewed called the project “our provincial Party secretary’s”.⁷⁸ Local news reports indicated that the Party secretary visited the project at least four times. Immediately after MLR listed the project as a top priority case, he visited again and asked the local government to “overcome all difficulties” and “continue to promote the construction of the project”.⁷⁹ With the support of provincial leaders, it is unsurprising that the golf course was only suspended. With all constructed facilities still in place, the golf course can be completed quickly when “the policy environment becomes laxer”.⁸⁰

(Table 4 about here.)

Table 4 shows that there is a strong correlation between developers’ types of political connections and the actual outcomes of the central government’s enforcement actions. The two firms connected with members of the central political elite obtained the most favorable treatment. They paid small fines but successfully avoided harsher punishment or dismantlement or suspension. By comparison, firms with provincial or local connections were either suspended or dismantled, therefore suffering greater financial losses. This difference results from informal interventions by powerful patrons rather than a preexisting institutional arrangement. In other words, the regulatory agency in the central government

⁷⁸ Interview with a local official in Heilongjiang, October, 2012

⁷⁹ Interview with a local official in Heilongjiang.

⁸⁰ Interview with a local official in Heilongjiang.

should have been able to shut down all of these clearly illegal projects, and its failure to do so indicates that the informal influence of high-level political players can indeed prevail at the highest level.

Conclusion

Rapid economic growth for several decades has led to a widespread belief that the Chinese government has adapted to the demands of a modern market economy. However, while laudable improvements have been achieved and a regulatory state seems to be emerging in many respects,⁸¹ significant gaps still exist between formal rules and their actual enforcement in a range of policy areas, even after the government has spent tremendous efforts to streamline the governance structure and strengthen the regulatory capacity. This article focuses on the issue of illegal land use to provide a political explanation for such gaps. I argue that besides central-local information asymmetries, fragmentation in the governance system, and noncompliance by local officials, the selective enforcement by the central government and its regulatory apparatus can also account for gaps in the enforcement of land regulations. Unambiguous and serious violations of the national prohibition on the construction of new golf courses illustrate the central government's selective enforcement: violators connected with a higher-level political patron faced weaker enforcement. This appears to reflect a strategy among government leaders to allow powerful members of the elite to distribute patronage in exchange for their political loyalty.

Besides the fates of golf courses, selective enforcement can also explain the puzzling pattern of illegal land use displayed in Figure 1. As the Figure shows, while the number of

⁸¹ Dali L. Yang, *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China* (Stanford: Stanford University Press, 2004).

land-use violations significantly declined over the last decade, the average scale of illegally used land demonstrated a rising trend. One explanation for this pattern is that larger violations are more likely to involve higher-level government actors or business interests with higher-level political elites, which enables them to benefit from weaker enforcement.

This research also identifies two types of business interests as hurdles to building an effective regulatory state in China. One, unsurprisingly, is the cluster of the large, powerful state-owned business groups China inherited from its socialist past. The other is a population of well-connected private firms that have emerged from the Party's increasing embrace of the private sector. Both types of business actors have formed close and sometimes long-term formal and informal connections with officialdom and the families of the ruling Party elite, and both tend to rely on this political advantage to pursue their economic interests. Their rent-seeking activities are at the expense of not only state resources but also the authority of national laws and regulations, and are therefore deleterious to the formation of a fair and transparent business environment. This aspect of government-business relations suggests that China has, to at least some extent, degenerated from an East-Asian type of developmental state, in which the government designs favorable policies to promote economic development, into a state characterized by "crony" or "booty" capitalism, in which corrupt political elites and predatory business oligarchies collude to maximize their own economic rents.⁸² This finding is also consistent with other scholars' observations that political corruption and rent seeking in China undermine the institutional integrity of the state, and transform China into

⁸² Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*; Paul D. Hutchcroft, *Booty Capitalism: The Politics of Banking in the Philippines* (Ithaca: Cornell University Press, 1998); David C. Kang, *Crony Capitalism: Corruption and Development in South Korea and the Philippines* (Cambridge: Cambridge University Press, 2002).

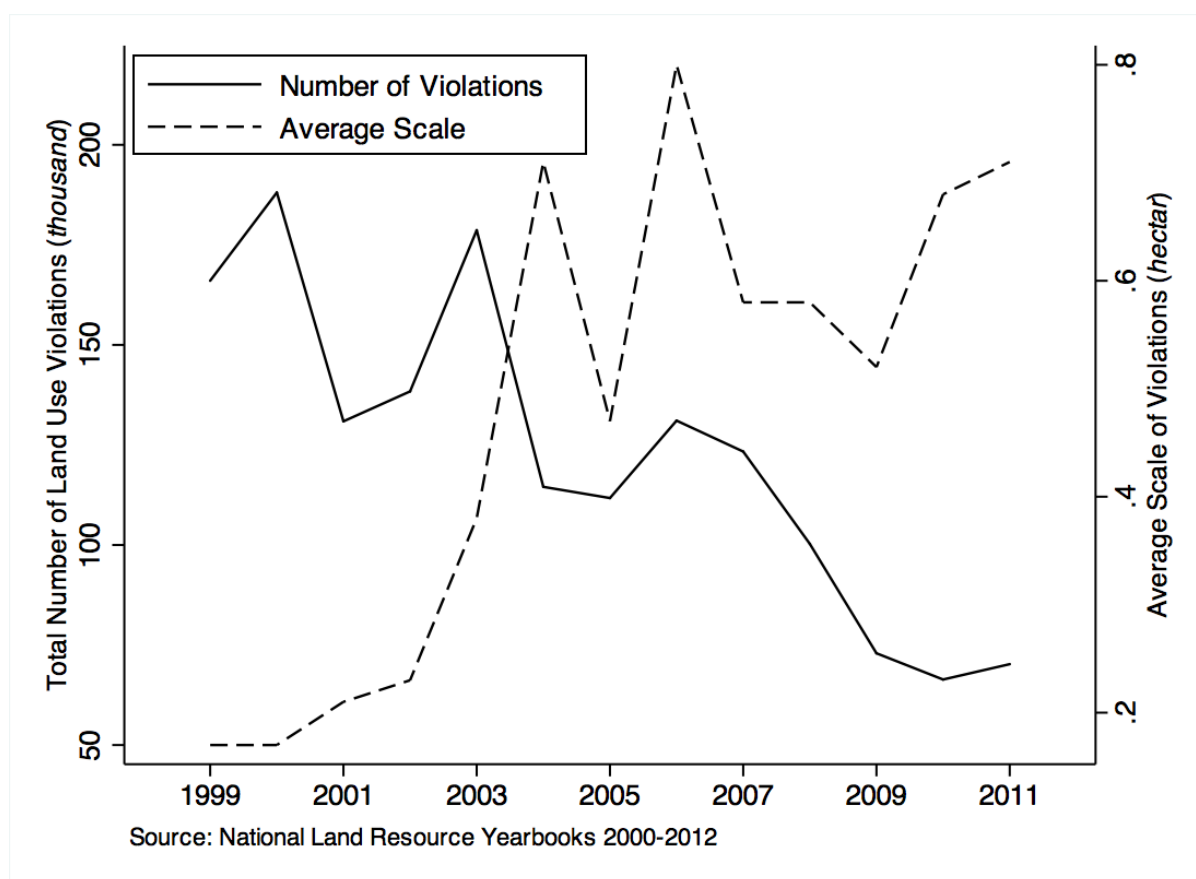
an “outlaw economy” in which “private mafias” earn “great fortunes”.⁸³

The finding of this article has important implications for reforms and political development in China. After two decades of economic transitions, China’s reforms have entered a “deep water zone” (*shenshui qu*), a metaphor widely used by scholars, commentators and even government officials to illustrate the persistent stagnation of reform in several key policy areas. Political scientist Pei Minxin describes reform stagnation in China as a “trapped transition”, and attributes it to the current political institutions that enable elites to reap personal benefits and stall further reforms.⁸⁴ In the land sector, the rapid shrinkage of arable land, soaring housing prices, and the violent conflicts caused by illicit land requisition have all contributed to a strong social demand for the correction of the irregularities surrounding land use. However, this demand is difficult to meet because the land market has become an important source of rents for members of the political elite. Given their dependence on the support of this broader elite, central leaders have only limited capacities to strengthen the enforcement of land regulations and promote effective land governance.

⁸³ Root Hilton, “Corruption in China: Has It Become Systemic?,” *Asian Survey* 36, no. 8 (1996); Yan Sun, *Corruption and Market in Contemporary China* (Cornell University Press, 2004).

⁸⁴ Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy*.

Figure 1: Number and Average Scale of Land-use Violations (1999-2011)



Data Source: National Land and Resource Yearbook 2000-2012

Figure 2: Coverage of Land-use Violations in Two Major Newspapers

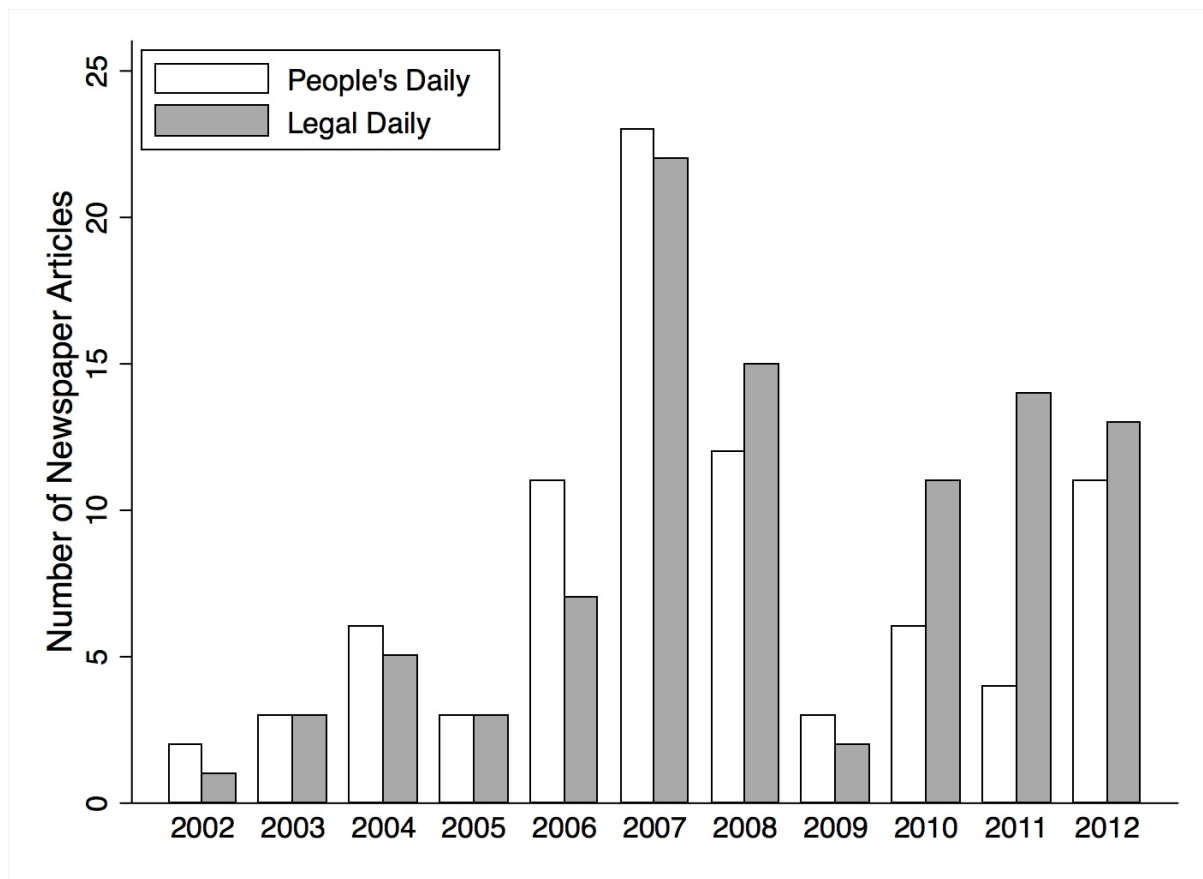


Table 1: Regulations on the Prohibition of Golf Courses Issued since 2004

Year	Month	Department/Ministry of Insurance	Title
2004	Jan	State Council	Notice of the General Office of the State Council on the Suspension of New Golf Courses
2004	Oct	State Council	Decision of the State Council on Deepening Reform and Strengthening Land Administration
2006	Dec	Ministry of Land and Resources National Development and Reform Commission	Circular on Promulgating and Implementing the Catalogue of Restricted Uses of Land (2006 Version) and Catalogue of Prohibited Uses of Land (2006 Version)
2009	Aug	Ministry of Land and Resources	Circular of the Ministry of Land and Resources on Strengthening Construction Land Management and Promoting the Use of Approved but Unused Land
2011	Apr	National Development and Reform Commission Ministry of Supervision Ministry of Land and Resources Ministry of Environmental Protection	Circular on Launching the National Program of Cleaning and Rectifying Golf Courses
2012	May	Ministry of Land and Resources National Development and Reform Commission	Circular on Promulgating and Implementing the Catalogue of Restricted Uses of Land (2012 Version) and Catalogue of Prohibited Uses of Land (2012 Version)

Table 2: Explaining the Golf Course Development of Listed Developers

	Any Golf Course Logistic Regression	Number of Golf Courses Poisson Regression
Central SOEs	2.721**	1.277*
1=yes; 0=no	(1.16)	(0.74)
Provincial SOEs	0.920	0.627
1=yes; 0=no	(1.46)	(1.16)
Central Legislators	5.458***	2.686***
1=yes; 0=no	(1.81)	(0.67)
Provincial Legislators	2.253*	0.94
1=yes; 0=no	(1.24)	(0.84)
Firm asset as of 2007	-0.00005	-0.00001
Million Yuan	(0.00004)	(0.00001)
Shanghai stock market	-1.320	0.06
1=yes; 0=no	(1.15)	(0.52)
Shenzhen stock market	0.481	0.155
1=yes; 0=no	(1.25)	(0.49)
Year of being listed	0.032	0.047
	(0.08)	(0.032)
Constant	-64.997	-95.07
	(160.84)	(65.15)
Pseudo R-squared	0.347	0.233
Num. of cases	50	50

1. * p<0.10, ** p<0.05, *** p<0.01;
2. Standard errors are in parentheses.

Table 3: The Seven Golf Courses Listed as Top Priority Cases

Case #	Date of being Listed	Province	City	Holes	Developer	Firm Type
1	2010/05	Inner Mongolia	Ordos	18	Yitong Coal Chemicals	Local private firm
2	2010/08	Yunnan	Baoshan	54	Golden Resources Group	National private firm
3	2011/01	Hunan	Chenzhou	18	Xiaobu Investment Development Group	Local private firm
4	2011/01	Xinjiang	Urumqi	18	Silk Road Sports & Fitness	Local private firm
5	2011/04	Guangdong	Guangzhou	27	Kingold Group	National private firm
6	2011/07	Hebei	Shijiazhuang	18	Zhongcheng Resort	Local private firm
7	2011/10	Heilongjiang	Mudanjiang	18	Mingzhen Real Estate	Local SOE

Sources: MLR official website

Table 4: The Enforcement Outcomes of the Seven Golf Courses

Case #	Province	Punishment	Actual Outcome	Firm Type	Level of Political Connections
1	Inner Mongolia	Dismantle	Dismantled	Local private firm	City
2	Yunnan	Dismantle	In business	National private firm	Central
3	Hunan	Dismantle	Suspended/ Returned to business	Local private firm	Provincial
4	Xinjiang	Dismantle	Dismantled	Local private firm	City
5	Guangdong	Dismantle	In business	National private firm	Central
6	Hebei	Dismantle	Dismantled	Local private firm	City
7	Heilongjiang	Dismantle	Suspended	Local SOE	Provincial

Sources: MLR official website, media reports and the author's fieldwork